

Circular from John E. Hudson to Stockholders, March 15, 1900

The American Bell Telephone Company, No. 125 MILK STREET. Boston, Mass., March 15, 1900. To the Stockholders:

The American Telephone and Telegraph Company (the Long Distance Company, so-called) was organized under the circumstances set forth in the fifth and sixth annual reports of your Directors for building lines of connection between large cities, substantially connecting together the territories of our several licensees. The demand for such service was first tested between the cities of New York and Philadelphia, and a little later between the cities of New York and Boston. The advantages offered by these long lines were soon recognized by the public and the business done over them increased rapidly. Encouraged by the growth of its business, the Long Distance Company extended its lines until they now connect almost all of the large cities and towns in the United States lying east of Omaha and Kansas City. The capital of the Company has been increased correspondingly.

In the development of the business it was necessary that the Long Distance Company become the owner of shares of the capital stock of many of our licensees. These holdings constantly increased until it was thought wise by your Directors that all the stocks and bonds of our licensees held by this Company and the Long Distance Company should be under one control. The existing Statutes made it necessary that that control be vested in the Long Distance Company. In consequence that Company has (by purchase from this Company) become the owner of all the stocks and bonds of our licensees formerly held by the two Companies.

This, under the Statutes of Massachusetts and New York, was the logical development of the business. As a result, this Company, in addition to its stock in the Long Distance

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Company, remained the owner only of certain patents, its telephones, the contracts with our licensees and some miscellaneous assets.

It has seemed wise to your Directors to transfer to the Long Distance Company, subject to your ratification, the above remaining assets of this Company, except its stock in the Long Distance Company.

In case of such ratification, the Company will have the stock of the Long Distance Company as its sole remaining asset. After providing adequate protection for its indebtedness, the Company will be able to make a division of two (2) shares of the stock of the Long Distance Company for each one (1) share of the stock of this Company, and your Directors have consequently unanimously recommended to the stockholders that they be authorized to make such distribution, each shareholder, on receiving two (2) shares for one (1) of his present holdings, to transfer his stock in this Company to or in trust for said Long Distance Company. It will be remembered that this Company now owns substantially all the stock of the Long Distance Company.

There are several advantages to be derived from this plan, the chief among which is the power to consolidate with or hold stock in connecting or subordinate companies, the Statutes of Massachusetts prohibiting this corporation, with certain exceptions, from becoming a stockholder in any other corporation to an amount exceeding thirty per cent. of the capital stock of such other corporation, and thereby preventing this corporation from meeting the business requirements of the United States as they exist today.

For the Directors, JOHN E. HUDSON, *President*.